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SUBJECT: UK POLITICAL SNAPSHOT: G-20 POLL BOUNCE FOR GORDON
BROWN EVAPORATES; SCANDAL OVER MP EXPENSES HEATS UP; BAD
BUDGET LOOMS

REF: LONDON 821

11. (SBU) Key points:

-- A small rise in the polls for PM Gordon Brown's Labour
Party following the G-20 summit appears to have evaporated
just four days later, although Brown's handling of the summit
has boosted his personal ratings.

-- Voter discontent is growing over MP abuse of second home
allowances, engulfing some of the most prominent politicians
in Britain, including Brown, Chancellor of the Exchequer
Alistair Darling, and Home Secretary Jacqui Smith.

-- Labour faces a difficult week when Parliament returns
after Easter, when Chancellor Darling will deliver the
budget. The Chancellor has already predicted the worst
contraction of the economy since World War II, as well as the
possibility of tax increases.

End key points.

No Lasting Post-G-20 Poll Bounce for Brown

12. (SBU) A small rise in the polls for Gordon Brown
following the G-20 summit appears to have evaporated less
than a week later. Brown received a post-G-20 "bounce,"
according to an April 5 YouGov poll for the Sunday Times,
which put his Labour Party up three points to 34 per cent,
with the opposition Conservative Party remaining at 41 per
cent, and the third party Liberal Democrats down one point to
16 per cent. A second poll released just one day later,
however, this time a Populus poll for the Times, shows the
Conservatives at 43 percent to 30 percent for Labour, and the
third party Liberal Democrats at 18 percent. Although
conducted by different polling agencies, the results suggest
that Brown's bounce was short-lived.

13. (SBU) The G-20 was still a plus for Brown: 26 percent of
respondents to the April 6 poll said they feel more
positively towards the PM because of the way he chaired the
meeting, while eleven percent feel less positively towards
him and 62 percent are unchanged. Business leaders have also
been positive about Brown's performance and acknowledge that
the PM personally deserves credit for the summit's success.
Financial Times Political Editor George Parker noted that few
other world leaders have sufficient grasp of the technical
details or are as passionate about the issues as Brown, and
that the G-20 summit will be an important part of Brown's
legacy (reftel).

14. (SBU) Conservative Party leader David Cameron, meanwhile,
stayed out of the limelight during the G-20, emerging only
briefly to take part in a 30 minute meeting and photo op with

President Obama. Cameron and Shadow Chancellor George Osborne for the most part left commentary and criticism of the PM to the media, although they noted during parliamentary debate that the G-20 was far removed from the lives of ordinary Britons struggling to pay their bills and amounted to an attempt by Brown to divert attention away from domestic problems. One Labour insider, who dismissed Cameron and Osborne as "feeble and carping," also admitted to us that their remarks were "not entirely invalid."

MPs' Expenses Scandal Embroils Government Ministers

15. (SBU) Perhaps more worrying for Brown and Labour, the April 6 poll showed that two-thirds of respondents believe all or a majority of MPs are abusing their expenses and allowances, reflecting a news story which has dominated UK media for the last several days. The controversy involves the Second Homes Allowance, which is designed to cover the costs that MPs incur by maintaining a home in their constituency as well as a residence in London. In recent weeks, the media has highlighted attempts by prominent Government ministers to maximize their claims against this allowance in ways that, while not strictly illegal, amount to bilking the tax payer. Among the most senior politicians in the UK snared in the public outrage over the practice, and whose political futures may be in jeopardy:

-- Home Secretary Jacqui Smith: Smith is under investigation by the Parliamentary Commissioner for Standards over her decision to designate her family home as her second home, despite the fact that her husband and children live there, claiming that her main residence is her sister's home in

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London where she reportedly rents a room. This has allowed her to claim GBP 116,000 since 1997. (Smith was also forced to apologize last week for submitting a claim for reimbursement for two pornographic films that her husband ordered on cable television; the cable service at Smith's home is reimbursed as an acceptable expense, but Smith acknowledged she "made a grave error" in not catching that the reimbursement claim for her cable service included the two pay per view adult films in question.)

-- Employment Secretary Tony McNulty: McNulty is under investigation by the Parliamentary Commissioner for Standards for claiming up to GBP 14,000 a year for a second home in his constituency, which is just eleven miles outside of London and is actually his parents' home.

-- Transport Secretary Geoff Hoon: For three years while he was Defence Secretary, Hoon lived in a tax payer-funded official residence while renting out his London apartment, and claiming thousands in second home allowances for a home in his constituency.

-- Former Foreign Secretary Margaret Beckett: Beckett claimed thousands for a home outside London during the eight years she lived rent-free in an official residence, while renting out her London apartment to FCO Minister Gillian Merron.

-- Chancellor Alistair Darling: As Chancellor of the Exchequer, Darling has lived in the Chancellor's residence at Number 11 Downing Street since 2007. At various times, Darling has switched his main property from Scotland, the seat of his constituency, to London, and back to Scotland in order to maximize his second home claims.

-- PM Gordon Brown: Brown has lived in rent-free government housing since 1997, but has claimed a total of GBP 116,234 in second home allowance since 2001.

16. (SBU) The spotlight has mainly fallen on Labour so far because, as the party in government, so many of its MPs have

lived in rent-free housing while claiming allowances. Nonetheless, Conservative MPs have also been involved in the scandal, notably James Clappison, who has claimed nearly GBP 100,000 in second home allowances while owning 23 properties.

As public ire mounts over what the electorate sees as out-and-out greed on the part of the political class, the leaders of all three parties are belatedly waking up to the severity of the issue, which has been percolating for years, announcing they will meet to discuss the issue. They are looking forward to June, when all MPs' expenses are due to be published, undoubtedly adding further fuel to this fire. For many UK commentators the outrage over the expenses -- all of which are legal -- echoes the recent public outcry over the AIG bonuses in the United States, but with the difference, as one Labour party contact commented to us, that in the UK "our voters know exactly whom to blame and vent their rage at."

Rough Waters Ahead for Labour

17. (SBU) Parliament is now in recess for Easter. Its return on Monday, April 20, will herald another difficult week for Labour: Chancellor Alistair Darling is scheduled to deliver the budget on Wednesday, April 22, laying out the state of the British economy. The forecast is gloomy and the Chancellor has been preparing the way for drastic revisions in his growth and borrowing forecasts, predicting a contraction in the economy of three per cent, the worst results since WW II. There is also the possibility of tax rises; the Institute of Fiscal Studies warns that taxes will have to rise by more than GBP 20bn a year, and possibly far more, to fund the shortfall in the nation's finances.

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